

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 EB-07 COME-00 TRSE-00 OES-06 FEA-01 ERDA-05
INT-05 /092 W

----- 047963 /71

R 171724Z DEC 76
FM AMEMBASSY ROME
TO SECSTATE WASHDC 1823
INFO AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
USINT BAGHDAD
USMISSION EC BRUSSELS
USMISSION NATO
USMISSION OECD PARIS

C O N F I D E N T I A L ROME 20509

E. O. 11652: GDS
TAGS: ETRD, EIND, PFOR, IT, IR
SUBJ: MINISTER OF FOREIGN TRADE OSSOLA VISITS IRAN

REF: (A) ROME 20321 (B) ROME 20324 (ALL NOTAL)

BEGIN SUMMARY: ITALIAN MINISTER OF FOREIGN TRADE OSSOLA
COMPLETED DECEMBER 10 OFFICIAL VISIT TO IRAN, FIRST
MOVE IN A NEW, MORE ACTIVE GOI POLICY TO INCREASE ITALY'S
SALES IN MIDDLE EAST. FURTHER VISITS ARE PLANNED TO
LIBYA, IRAQ, AND SAUDI ARABIA. IRAN VISIT CHARACTERIZED
AS SUCCESS ALTHOUGH NO RPT NO BREAKTHROUGHS APPARENTLY
ACHIEVED. END SUMMARY.

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1.EMBOFFREVIEWED RECENT OSSOLA VISIT TO IRAN WITH
MINISTRY OF FOREIGN AFFAIRS (MFA) REQ GALLI (OFFICE
DIRECTOR, MIDDLE EASTERN ECONOMIC AFFAIRS) AND OSSOLA'S
CHIEF OF CABINET AND MINISTRY DIRECTOR GENERAL FOR COMMERCIAL
ACCORDS TRIOLI. CONSENSUS IS THAT VISIT WAS SUCCESSFUL,
ALTHOUGH CONCRETE RESULTS WERE LIMITED TO ITALY-IRAN MIXED

COMMISSION WHICH PRODUCED BENEFITS FOR ITALIAN BUSINESS, PARTICULARLY SMALL - AND MEDIUM-SIZED BUSINESSES. ACCORDING TO MFA REP, MAJOR ACHIEVEMENT WAS THAT OSSOLA SUCCEEDED IN OVERCOMING STRAINED RELATIONS CAUSED BY UNWILLINGNESS OF PREVIOUS MINISTER OF FOREIGN TRADE (DE MITA) TO VISIT IRAN TO FULFILL ITALY'S CEREMONIAL OBLIGATIONS VIS A VIS IRAN.

2. VISIT DID PROVIDE OPPORTUNITY FOR DISCUSSION OF SEVERAL MAJOR ISSUES:

(A) OIL PRICES. OSSOLA MADE STRONG PRESENTATION ON PERNICIOUS EFFECTS OF POSSIBLE RISE IN PRICE OF PETROLEUM ON WORLD GENERALLY AND ITALY IN PARTICULAR. ACCORDING TO OUR SOURCES, SHAH LISTENED ATTENTIVELY BUT INDICATED NO RPT NO CHANGE IN IRANIAN POSITION RE NEED FOR INCREASE IN OIL PRICES. ACCORDING TO MFA SOURCE (WHICH WAS NOT RPT NOT CONFIRMED BY TRIOLI), SHAH SHOWED SYMPATHY FOR ITALIAN ECONOMIC DIFFICULTIES AND OFFERED TO CONSIDER MEASURES WHICH WOULD EASE EFFECTS ON ITALIAN ECONOMY. OSSOLA REPORTEDLY SUBMITTED SEVERAL SUGGESTIONS, MOSTLY OF FINANCIAL NATURE. NEWSPAPER REPORTS INDICATED THAT ITALIAN DELEGATION HAD CONDITIONED INCREASED ITALIAN PURCHASES OF IRANIAN CRUDE TO INCREASED IRANIAN PURCHASES OF ITALIAN PRODUCTS; HOWEVER, EMBASSY SOURCES INDICATED THAT THIS WOULD HAVE LITTLE OPERATING SIGNIFICANCE.

(B) BANDAR ABBAS STEEL COMPLEX. OSSOLA VISIT REPORTEDLY MOVED ITALY CLOSER TO OBTAINING THE DOL 3 BILLION CONTRACT FOR THE BANDAR ABBAS STEEL COMPLEX; HOWEVER, ITALIANS DO NOT RPT NOT YET HAVE A SIGNED CONTRACT IN HAND. MFA
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AND MFT SOURCES BOTH INDICATED THAT GOI WILL DO WHAT NEEDS TO BE DONE TO OBTAIN CONTRACT, EVEN TO EXTENT OF FURNISHING SUPPLIER CREDITS. COMMENT: NEWSPAPER ACCOUNTS INDICATED THAT THE EVENTUAL CONTRACT WILL INCLUDE A DOL 1.8 BILLION BASIC STEEL COMPLEX AND A DOL 1.2 BILLION ROLLING MILL. CIVIL WORKS COSTING DOLS 500 MILLION WILL BE PERFORMED BY IRANIAN CONTRACTORS. (ITALIAN FIRMS ARE ALREADY ENGAGED IN BUILDING PORT FACILITIES WORTH DOLS 1 BILLION.) IN PAYMENT, IRAN WILL GIVE 3 MILLION M.T. CRUDE OIL PER YEAR FOR 5 YEARS, WHICH THE ITALIAN CONTRACTORS WILL BE FREE TO DISPOSE OF AS THEY WISH (BARTER, USE INTERNALLY, SELL, ETC.). THE NEWSPAPER INDICATES THAT THE ITALIAN CONTRACTOR WILL NEED TO FINANCE DOLS 1.1 BILLION FOR 5 YEARS. END COMMENT. ALL SOURCES ACKNOWLEDGED THAT TAKING PAYMENT IN OIL WOULD PRESENT PROBLEMS. MFA REP INDICATED THAT ITALIAN STATE OIL COMPANY ENI WAS NOT RPT NOT ENTHUSIASTIC. ALL RECOGNIZED THAT OTHER OIL

COMPANIES OPERATING IN ITALY MAY BE FORCED TO TAKE SOME IRANIAN OIL AND THAT THIS PROSPECT UNLIKELY TO PLEASE MANY; NEVERTHELESS, IT WAS NOTED THAT GOI HAD INSTRUMENTS TO COERCE COMPANIES IF NECESSARY.

(C) ENI-IRANIAN NEGOTIATIONS. MFA SOURCE INDICATED THAT THERE WAS SOME DISCUSSION OF LONG-STANDING IRAN-ENI NEGOTIATIONS WHICH COULD LEAD TO A POSSIBLE IRANIAN PRESENCE IN ENI-SUBSIDIARY AGIP'S NON-ITALIAN REFINING AND DISTRIBUTION NETWORKS AND/OR THE OPERATIONS OF ENI DOMESTIC SUBSIDIARY IP (FORMERLY SHELL OIL). HOWEVER, THERE WAS NO BREAKTHROUGH (AS IMPLIED IN SOME PRESS REPORTS) AND MFA REP DOUBTED THAT AGREEMENT WOULD EVER BE REACHED. REASON, ACCORDING TO HIM, WAS APPARENT SECOND THOUGHTS ON PART OF IRANIANS. COMMENT: IN SUBSEQUENT DISCUSSION WITH EMBOFF, ENI REP INDICATED THAT BOTH ENI AND IRAN REMAIN INTERESTED IN AN AGREEMENT. BECASUSE AGREEMENT IS NOT CONFIDENTIAL

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VITAL TO EITHER, NEITHER IS WILLING TO MAKE CONCESSIONS WHICH WOULD CONCLUDE DEAL. PROBLEM FOR ENI IS IRANIAN UNWILLINGNESS TO CONCEDE TO ITALY PREFERENTIAL ACCESS TO IRANIAN CRUDE. END COMMENT.

(D) SALES OF SHIPS. SALE OF ITALIAN LUXURY LINERS RAFELLO AND MICHELANGELO TO IRAN CONCURRENTLY WITH OSSOLA VISIT WAS COINCIDENTAL SINCE NEGOTIATIONS HAD BEEN GOING ON FOR SOME MONTHS.

(E) OTHER. GOI STRESSED IMPORTANCE OF PROGRESS IN CIEC BUT DID NOT RPT NOT PURSUE ISSUE IN ANY DEPTH. EMBASSY REPORTED DISCUSSION OF EC-IRAN AGREEMENT REF (A) (NOTAL).

3. BOTH MFA AND MFT SOURCES INDICATED THAT OSSOLA'S IRAN TRIP WAS INITIAL PHASE OF MORE ACTIVE GOI PROGRAM TO INCREASE ITALIAN EXPORTS TO MIDDLE EAST. PROGRAM, OF COURSE, IS BASED ON ITALIAN NEED TO COVER INCREASINGLY LARGE OIL PAYMENTS. THUS, NEXT FEW MONTHS WILL SEE HIGH-LEVEL ITALIAN VISITS TO VARIOUS MIDDLE EASTERN COUNTRIES:

-- DECEMBER 19: OSSOLA BEGINS VISIT TO LIBYA, IN PART TO RESPOND TO LARG REQUESTS FOR HIGH-LEVEL VISIT, BUT ALSO TO STIR UP COMMERCIAL POSSIBILITIES (SEE REF (B) (NOTAL).

-- JANUARY: MINISTER OF INDUSTRY DONAT CATTIN WILL VISIT IRAQ. ACCORDING TO MFA REP, MAJOR PURPOSE WILL BE TO EMPHASIZE GROWING ITALIAN TRADE DEFICIT WITH IRAQ AND NECESSITY OF GREATER IRAQI PURCHASES OF ITALIAN GOODS. MFA REQ RECOGNIZED THAT ITALIAN

LEVERAGE WAS LOW AND THAT HIGH VOLUME OF ITALIAN OIL PURCHASES
FROM IRAQ STEMMED FROM IRAQI PRICES; NEVERTHELESS, GOI WOULD
GIVE IT A TRY.

-- FEBRUARY: OSSOLA IS SCHEDULED TO VISIT SAUDI
ARABIA. THIS, ACCORDING TO MFA REP, IS MOST
DIFFICULT MARKET TO CRACK. ITALIAN EFFORTS THERE HAVE
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PRODUCED FEW RESULTS TO DATE AND GOI IS AT A LOSS TO
KNOW WHAT TO DO. ALMOST HALF OF CURRENT ITALIAN
TRADE DEFICIT WITH MIDDLE EAST IS DUE TO SAUDI
ARABIA.BEAUDRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TRADE PROMOTION, MINISTERIAL VISITS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME20509
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760465-0691
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761233/aaaabbwy.tel
Line Count: 185
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ROME 20321, 76 ROME 20324
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by ellisoob>; APPROVED <02 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINISTER OF FOREIGN TRADE OSSOLA VISITS IRAN
TAGS: ETRD, EIND, PFOR, IT, IR, (OSSOLA, RINALDO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006